

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS**For six months period ended 30 June 2023****1. GENERAL INFORMATION**

Kazakhtelecom JSC (the “Company” or “Kazakhtelecom”) was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 12 Sauran Str., Astana, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna” or the “Parent”), which owns 51% of the Company’s controlling shares. Below is a list of the Company’s shareholders as at 30 June 2023:

	At 30 June 2023 (unaudited)	At 31 December 2022
Samruk-Kazyna	51.0%	51.0%
Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan	28.2%	28.2%
ADR (The Bank of New York – depositor)	9.6%	9.6%
Corporate fund “Social Development Fund”	3.4%	3.4%
Other	7.8%	7.8%
	100%	100%

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network (“PSTN”), connection services provided to third party telecommunication operators, and rental of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in *Note 2* (hereinafter collectively referred to as the “Group”) have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

The interim condensed consolidated financial statements of the Group were authorised for issue by the Chief financial officer and the Chief accountant on behalf of the Management of the Company on 30 August 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three and six month period ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022 and for the year then ended. The interim condensed consolidated financial statements are presented in Kazakhstan tenge, and all amounts are rounded to nearest thousands, except when otherwise indicated.

Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes continuation of the course of business, realization of assets and settlement of liabilities in the normal course of business.

Foreign currency translation

The interim condensed financial statements of the Group are presented in tenge, which is the functional currency of the Company and its main subsidiaries. Tenge is the currency of the primary economic environment in which the Company and its main subsidiaries operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Foreign currency translation (continued)**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date when the transaction first qualifies for recognition criteria. Monetary assets and liabilities denominated in foreign currency are translated at the official exchange rate ruling at the reporting date established by Kazakhstan Stock Exchange ("KASE") and published by the National Bank of the Republic of Kazakhstan ("NBRK"). All translation differences are recognized in the interim condensed consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange rates are presented in the following table:

	30 June 2023 (unaudited)	31 December 2022
US dollar	452.51	462.65
Euro	490.7	492.86
Russian rubles	5.14	6.43

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian rubles. During consolidation the assets and liabilities of foreign operation are translated into tenge at the rate of exchange prevailing at the reporting date and its statement of comprehensive income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

The following subsidiaries have been included in these interim condensed consolidated financial statements:

	Country of incorporation	Percentage ownership	
		30 June 2023 (unaudited)	31 December 2022
Mobile Telecom-Service LLP	Kazakhstan	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Digital Economy Development Center LLP	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
KT-Telecom JSC	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	51.00%	51.00%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**New and amended standards and interpretations**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as at 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023, and apply to changes in accounting policies and estimates that occur on or after the start of that period. Early application is permitted subject to disclosure of that fact. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION**

For management purposes, the Group represents business units based on the organizational structure of the Group and has reportable operating segments as follows:

- Rendering fixed-line telecommunication services by business units of Kazakhtelecom JSC and Vostoktelecom LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Mobile Telecom-Service LLP and Kcell JSC.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

The following tables disclose revenue and profit information for the Group's operating segments for the three and six months ended 30 June 2023 and 2022.

For the three months ended 30 June 2023 (unaudited):

<i>In thousands of tenge</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	60,770,175	97,776,465	192,769	–	158,739,409
Inter-segment	10,954,514	5,477,177	355,098	(16,786,789)	–
Total revenue from contracts with customers	71,724,689	103,253,642	547,867	(16,786,789)	158,739,409
Compensation for provision of universal services in rural areas	1,993,471	–	–	–	1,993,471
Income from government grants	543,656	1,688,143	–	–	2,231,799
Total	74,261,816	104,941,785	547,867	(16,786,789)	162,964,679
Financial results					
Depreciation and amortisation	(9,648,340)	(21,938,024)	(14,944)	267,911	(31,333,397)
Finance costs	(5,009,636)	(5,307,984)	–	615,412	(9,702,208)
Finance income	1,396,206	1,758,168	20,853	(524,942)	2,650,285
Gain from reversal of impairment on non-financial assets/(loss from impairment)	14,044	146,863	(1,149)	–	165,276
Impairment losses on financial assets	(1,972,794)	(1,461,916)	(11,063)	25,621	(3,420,152)
Segment profit/(loss) before tax	9,482,462	23,027,653	(22,024)	(23,010)	32,465,081

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)**

For the three months ended 30 June 2022 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	57,088,699	97,932,491	287,765	-	155,308,955
Inter-segment	9,726,969	5,144,282	467,442	(15,338,693)	-
Total revenue from contracts with customers	66,815,668	103,076,773	755,207	(15,338,693)	155,308,955
Income from government grants	232,896	1,188,815	-	-	1,421,711
Total	67,048,564	104,265,588	755,207	(15,338,693)	156,730,666
Financial results					
Depreciation and amortisation	(9,589,987)	(21,030,702)	(9,079)	195,650	(30,434,118)
Finance costs	(6,026,948)	(5,100,406)	-	364,872	(10,762,482)
Finance income	2,513,228	1,250,513	17,161	(378,224)	3,402,678
Income from dividends	14,958,650	-	-	(14,958,650)	-
Share in loss of associates	-	-	21,811	-	21,811
Gain from reversal of impairment on non-financial assets/(loss from impairment)	44,552	(496,319)	-	-	(451,767)
Impairment losses on financial assets	(389,954)	(1,198,567)	(8,745)	23,101	(1,574,165)
Segment profit/(loss) before tax	22,717,096	27,391,763	215,854	(16,203,640)	34,121,073

For the six months ended 30 June 2023 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	121,582,029	200,093,962	483,995	-	322,159,986
Inter-segment	21,476,470	10,820,387	654,096	(32,950,953)	-
Total revenue from contracts with customers	143,058,499	210,914,349	1,138,091	(32,950,953)	322,159,986
Compensation for provision of universal services in rural areas	4,206,946	-	-	-	4,206,946
Income from government grants	684,398	3,391,181	-	-	4,075,579
Total	147,949,843	214,305,530	1,138,091	(32,950,953)	330,442,511
Financial results					
Depreciation and amortisation	(19,840,955)	(43,304,128)	(19,130)	553,599	(62,610,614)
Finance costs	(10,863,684)	(9,616,925)	-	979,961	(19,500,648)
Finance income	2,591,754	5,348,538	42,565	(803,728)	7,179,129
Gain from reversal of impairment on non-financial assets/(loss from impairment)	28,812	162,767	-	-	191,579
Impairment losses on financial assets	(2,240,557)	(2,335,498)	(7,378)	32,332	(4,551,101)
Segment profit/(loss) before tax	19,318,013	56,646,320	(31,925)	26,063	75,958,471

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)**

For the six months ended 30 June 2022 (unaudited)

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	112,349,985	185,520,164	545,489	-	298,415,638
Inter-segment	19,613,143	9,803,186	802,969	(30,219,298)	-
Total revenue from contracts with customers	131,963,128	195,323,350	1,348,458	(30,219,298)	298,415,638
Income from government grants	465,791	2,317,479	-	-	2,783,270
Total	132,428,919	197,640,829	1,348,458	(30,219,298)	301,198,908
Financial results					
Depreciation and amortisation	(19,250,728)	(41,436,950)	(17,714)	573,021	(60,132,371)
Finance costs	(11,814,094)	(10,228,138)	-	742,240	(21,299,992)
Finance income	4,762,122	2,562,887	23,732	(764,837)	6,583,904
Dividends income	14,963,689	-	-	(14,963,689)	-
Share in profits of associates	-	-	44,172	-	44,172
Gain from reversal of impairment on non financial assets	52,614	(340,937)	-	-	(288,323)
(Impairment losses) / Gain from reversal of impairment on financial assets	(671,989)	(2,060,452)	(8,577)	28,594	(2,712,424)
Segment profit/(loss) before tax	36,743,941	52,409,114	310,920	(17,120,939)	72,343,036

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

<i>In thousands of tenge</i>	Fixed line	Mobile tele-communication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Operating assets					
As at 30 June 2023 (unaudited)	1,206,159,974	910,063,662	2,043,292	(790,924,882)	1,327,342,046
As at 31 December 2022	1,231,669,037	800,777,903	2,349,528	(748,062,653)	1,286,733,815
Operating liabilities					
As at 30 June 2023 (unaudited)	257,380,341	347,742,980	1 183 958	(70,371,520)	535,935,759
As at 31 December 2022	300,556,012	291,337,564	1,460,707	(37,228,291)	556,125,992

Reconciliation of profit

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Segment profit	32,488,091	50,324,713	75,932,408	89,463,975
Other	(23,010)	(16,203,640)	26,063	(17,120,939)
Profit of the Group	32,465,081	34,121,073	75,958,471	72,343,036

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)****Reconciliation of assets**

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Segment operating assets	2,118,266,928	2,034,796,468
Elimination of the Company's investments in subsidiaries	(701,157,231)	(699,527,549)
Elimination of intra-group receivables and payables	(89,767,651)	(48,535,104)
Total assets of the Group	1,327,342,046	1,286,733,815

Reconciliation of liabilities

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Segment operating liabilities	606,307,279	593,354,283
Elimination of intra-group receivables and payables	(70,371,520)	(37,228,291)
Total liabilities of the Group	535,935,759	556,125,992

5. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

During the three and six months periods ended 30 June 2023, the Group acquired property and equipment for KZT 44,455,398 thousand and KZT 67,139,518 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 8,471,112 thousand and KZT 17,576,002 thousand, respectively).

During the three and six months periods ended 30 June 2023, the Group disposed property and equipment with net book value of KZT 853,205 thousand and KZT 247,248 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 60,517 thousand and KZT 93,027 thousand, respectively).

During the three and six months periods ended 30 June 2023, the Group recognised decrease in changes in estimates in assets retirement obligation for KZT 244,826 thousand and KZT 388,407 thousand, respectively (during the three and six months periods ended 30 June 2022: increase for KZT 236,917 thousand and KZT 314,323 thousand, respectively).

During the three and six months periods ended 30 June 2023, the Group recognized gain from reversal of impairment for KZT 164,002 thousand and KZT 20,180 thousand, respectively (during the three and six months periods ended 30 June 2022: impairment loss for KZT 75,688 thousand and KZT 70,183 thousand, respectively).

During six-month period ended 30 June 2022, a building with carrying amount of KZT 2,242,816 thousand was transferred to investment property, because it was no longer used by the Group and it was decided that the building would be leased to third parties. As of 30 June 2023 carrying value of that investment property comprised KZT 1,943,830 thousand (31 December 2022: KZT 1,976,652). As at 30 June 2023 and 31 December 2022 the fair value of the investment property equalled to KZT 2,700,000 thousand (Level 3 hierarchy).

During the three and six months periods ended 30 June 2023, the Group recognized depreciation expense amounting to KZT 18,929,961 thousand and KZT 39,351,941 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 19,880,523 thousand and KZT 39,333,969 thousand, respectively).

As at 30 June 2023 and 31 December 2022, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

As at 30 June 2023, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 506,598,618 thousand (as at 31 December 2022: KZT 463,621,841 thousand).

As at 30 June 2022, advances paid for non-current assets in the amount of KZT 2,672,907 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 December 2022: KZT 3,308,209 thousand). During the three and six months periods ended 30 June 2023 the Group has recognized gain from reversal of impairment on its advances paid for non-current assets for KZT 289,709 thousand and KZT 153,855 thousand, respectively (unaudited) (during the three and six months periods ended 30 June 2022: (gain from reversal) / impairment loss for KZT (7,718) thousand and KZT 163,100 thousand, respectively (unaudited)) (Note 31).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**6. INTANGIBLE ASSETS**

During the three and six months periods ended 30 June 2023, the Group acquired intangible assets in the amount of KZT 93,509,315 thousand and KZT 172,676,349 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 3,628,110 thousand and KZT 5,571,087 thousand, respectively).

On 22-23 December 2022 the Group participated in an open electronic auction of radio frequencies for the fifth generation of mobile communications (5G). Internet trading was organized by Ministry of Digital Development, Innovation and Aerospace Industry. Participants competed for the 3600-3700 MHz (100 MHz) and 3700-3800 MHz (100 MHz) radio frequency bands for 5G technology. The Group paid starting price of the auction of KZT 3,522,450 thousand to participate in the auction. The Consortium consisting of Mobile Telecom Service LLP (under the Tele2 and Altel brands) and Kcell JSC (under the Kcell and Activ brands) won the auction by bidding final price of KZT 156,069,426 thousand. The balance of the final bid price less initially paid starting price was paid in 2023. During the six months period ended 30 June 2023, the Group made a full payment for 5G frequencies in the amount of KZT 156,069,426 thousand. On 30 June 2023 the Group reclassified the full amount of prepayment into intangible assets as radio frequencies became available for use.

During the three and six months periods ended 30 June 2023, the Group recognized amortization expense in the amount of KZT 8,621,748 thousand and KZT 15,999,678 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 7,250,762 thousand and KZT 14,108,502 thousand, respectively).

As at 30 June 2022 the gross carrying value of intangible assets, which have been fully amortized and still in use was KZT 55,295,067 thousand (as at 31 December 2022: KZT 69,108,150 thousand).

7. INVESTMENTS IN ASSOCIATES

On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender.

On 26 December 2022 the results of the tender for realization were announced with the selling price of KZT 4,590,010 thousand. The tender winner was selected. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group. The Group assesses the sale of QazCloud LLP as highly probable.

Investment in associate of QazCloud LLP was classified as an assets held for sale from 20 September 2022. The Group discontinued the use of the equity method from the date that the investment was classified as held for sale. In stead, the associate is measured at the lower of its carrying amount and fair value less cost to sell. On 3 March 2023 Group of Kazakhtelecom JSC received approval of investment committee of Samruk-Kazyna JSC on the sale of 49% of share in QazCloud LLP to Daneker Sala LLP at a price of KZT 4,590,010 thousand. Kazakhtelecom JSC and Daneker Sala LLP signed a contract for the purchase and sale on 20 March 2023. On 28 March 2023 the Group of Kazakhtelecom JSC received full amount of payment for 49% of share in QazCloud LLP.

During the six months period ended 30 June 2023, QazCloud LLP announced and paid dividends to the Group in the amount of KZT 50,219 thousand.

Movements in investments in associates for the six months ended 30 June 2023 and 2022 are as follows:

<i>In thousands of tenge</i>	QazCloud LLP
At 1 January 2022	3,460,120
Share in profits of associates	22,361
Dividends received	(76,855)
At 30 June 2022 (unaudited)	3,427,437
At 1 January 2023	-
Share in profits of associates	-
At 30 June 2023 (unaudited)	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**7. INVESTMENTS IN ASSOCIATES (continued)**

The table below provides a summarized financial information on the Group's investment in QazCloud LLP:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Revenue from contracts with customers	-	3,979,744
Depreciation and amortization	-	(1,253,432)
Finance income	-	35,619
Finance costs	-	(191,333)
Income tax expense	-	(22,537)
Profit for the period	-	90,147
Total comprehensive income	-	90,147
Share of the Group in profit for the period	-	44,172

As of the date of disposal carrying value of investments in associate, classified as assets held for sale, amounted to KZT 3,713,065 thousand. During six months ended 30 June 2023, the Group, has recognized income from disposal of the associate in the consolidated statement of comprehensive income for KZT 876,945 thousand (*Note 27*).

8. IMPAIRMENT TESTING**Goodwill**

Goodwill is tested by the Group for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

As at 30 June 2023 there were no indicators for impairment of all CGUs, including those CGUs to which goodwill was allocated, therefore, management has not updated any of impairment calculations

9. OTHER NON-CURRENT FINANCIAL ASSETS

As at 30 June 2023 and 31 December 2022, other non-current financial assets comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Long-term accounts receivable	1,207,002	4,344,884
Loans to employees	2,172,779	1,731,327
Long-term deposits	754,218	642,726
Other	361,821	364,547
	4,495,820	7,083,484
Less: allowance for expected credit losses	(110,184)	(110,184)
	4,385,636	6,973,300

As at 30 June 2023 and 31 December 2022, the Group's other non-current financial assets were denominated in tenge.

As at 30 June 2023, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 1,207,002 thousand (as at 31 December 2022: KZT 4,344,884 thousand). These long-term accounts receivable were discounted as at market interest rates of 20.1% per annum (2022: 18.1% per annum).

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 9.6% per annum to 19.1% (2022: from 9.6% per annum to 19.1%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**9. OTHER NON-CURRENT FINANCIAL ASSETS (continued)**

Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

During six months ended 30 June 2023, the Group placed long-term deposits with Halyk Bank JSC for the total amount of KZT 422,432 thousand with the maturity in 2038 and interest rate of 0.1% per annum, within the framework of Cooperation Agreement with Halyk Bank JSC on the terms of funding by the Group by placing deposits under the program of preferential loans to employees. These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8%. As a result, the Group has recognized discount in the amount of KZT 204,059 thousand. At the placement date, long-term deposits were recognized at its fair value equal to KZT 218,373 thousand. During the six months period ended 30 June 2023, the Group has recognized amortization of discount for KZT 380,253 thousand.

During the six months period ended 30 June 2023, the Group placement long-term deposits in Halyk Bank of Kazakhstan JSC in the amount of KZT 473,832 thousand and withdrew of KZT 487,133 thousand.

10. TRADE RECEIVABLES

As at 30 June 2023 and 31 December 2022, trade receivables comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Trade receivables	73,043,496	58,301,294
	73,043,496	58,301,294
Less: allowance for expected credit losses	(17,330,738)	(12,996,108)
	55,712,758	45,305,186

Movements in the allowance for expected credit losses were as follows for the three and six months periods ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Allowance for expected credit losses at the beginning of the period	(14,240,207)	(7,238,953)	(12,996,108)	(6,252,535)
Charge for the period (Note 31)	(3,353,525)	(1,538,459)	(4,503,957)	(2,669,025)
Write-off for the period	262,994	189,525	169,327	333,673
Allowance for expected credit losses at the end of the period	(17,330,738)	(8,587,887)	(17,330,738)	(8,587,887)

11. OTHER CURRENT FINANCIAL ASSETS

As at 30 June 2023 and 31 December 2022, other current financial assets comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Bank deposits	3,451,994	3,399,500
Loans to employees	1,644,358	1,235,750
Restricted cash	912,769	912,769
Due from employees	524,432	375,093
Other accounts receivable	4,596,195	3,643,862
	11,172,920	9,566,974
Less: allowance for expected credit losses	(5,245,523)	(5,192,904)
	5,927,397	4,374,070

As at 30 June 2023 and 2022, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**11. OTHER CURRENT FINANCIAL ASSETS(continued)**

As at 30 June 2023 the Group placed bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months in Russian ruble in Sberbank of Russia PJSC at the interest rate of 5.8% for KZT 52,494 thousand.

Restricted cash represents cash on the accounts with KazInvestBank JSC and Eximbank Kazakhstan JSC for KZT 413,315 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. Allowance for expected credit loss was recorded for the whole amount of this cash.

Movements in the allowance for expected credit losses were as follows for the three and six months periods ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Allowance for expected credit losses at the beginning of the period	(5,175,145)	(5,065,697)	(5,192,904)	(5,056,469)
Charge for the period (Note 31)	(70,378)	(31,106)	(53,151)	(41,732)
Write-off for the period	-	5,371	532	6,769
Allowance for expected credit losses at the end of the period	(5,245,523)	(5,091,432)	(5,245,523)	(5,091,432)

12. FINANCIAL ASSETS CARRIED AT AMORTISED COST

As at 31 December 2022, financial assets carried at amortised cost in the amount of KZT 14,832,821 thousand are represented by short-term discount notes of the National Bank of the Republic of Kazakhstan ("NBK") denominated in tenge.

During the six months period ended 30 June 2023, the Group acquired short term discount notes at purchase price KZT 34,544,740 thousand. During the six months period ended 30 June 2023 short term discount notes with nominal value in the amount of KZT 49,537,750 thousand and interest income in the amount of KZT 667,569 thousand was redeemed.

As at 30 June 2023 and 31 December 2022, financial assets carried at amortised cost are:

<i>In thousands of tenge</i>	Maturity date	Yield to maturity	Nominal value	30 June 2023 (unaudited)	31 December 2022
Notes of the NBK	25 January 2023	16.46%	15,000,000	-	14,832,821
			15,000,000	-	14,832,821

The Group recognized the financial assets at amortized cost as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows.

13. CASH AND CASH EQUIVALENTS

As at 30 June 2023 and 31 December 2022, cash and cash equivalents comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Cash on current bank accounts	12,643,494	146,451,791
Deposits with less than 90 days maturity from the date of opening	89,201,923	95,672,493
Cash on hand	13,105	8,516
	101,858,522	242,132,800
Less: allowance for expected credit losses	(4,639)	(10,646)
	101,853,883	242,122,154

As at 30 June 2023 interest is accrued on funds placed on current bank accounts at interest rates from 0.1 to 7.25% per annum. As at 30 June 2023, cash on current bank accounts included an amount of KZT 66,557,382 thousand placed on overnight deposits with interest rates up to 15.75%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**13. CASH AND CASH EQUIVALENTS (continued)**

As at 30 June 2023, short-term bank deposits opened for a period of one day to three months, depending on the Group's current cash needs amounted to KZT 22,644,541 thousand with an interest rate of up to 14,85%.

Movements in the allowance for expected credit losses were as follows for the three and six months periods ended 30 June:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Allowance for expected credit losses at the beginning of the period	(8,390)	(5,309)	(10,646)	(8,242)
Recovery/(charge) for the period (Note 31)	3,751	(4,600)	6,007	(1,667)
Allowance for expected credit losses at the end of the period	(4,639)	(9,909)	(4,639)	(9,909)

As at 30 June 2023 and 31 December 2022, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
US dollars	85,720,048	149,734,206
Tenge	15,429,221	90,509,732
Euro	559,355	1,343,271
Russian roubles	96,563	422,368
Other	48,696	112,577
	101,853,883	242,122,154

14. EQUITY**Authorised and issued shares**

	Number of shares		In thousands of tenge		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2021	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 31 December 2022	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529
At 30 June 2023	10,922,876	1,213,653	10,922,876	1,213,653	12,136,529

Treasury shares

	Number of shares		In thousands of tenge		Total
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 31 December 2021 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 31 December 2022 (audited)	216,852	914,868	3,052,617	4,012,997	7,065,614
Treasury shares reacquired	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
At 30 June 2023 (unaudited)	216,852	914,868	3,052,617	4,012,997	7,065,614

Shares issued less reacquired shares

As at 30 June 2023 and 31 December 2022, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)****Preferred shares**

Holders of preferred shares are entitled to receive annual cumulative dividends of 300 tenge per share, and not less than the amount of the dividends per share paid to holders of common shares. Payment of preferred shares dividends does not require a resolution of Kazakhtelecom JSC shareholders meeting. The discounted value of future cash flows of annual cumulative dividends is recorded as a financial liability as at 30 June 2023 in the amount of KZT 814,868 thousand (31 December 2022: KZT 814,868 thousand).

Dividends

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends in the amount of KZT 44,818 thousand were accrued as at 30 June 2023 (at 30 June 2022: KZT 44,818 thousand) and are recorded as interest expenses in the interim condensed consolidated statement of comprehensive income (*Note 26*).

Movements in dividends payable for the periods ended 30 June were as follow:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Dividends payable at the beginning of the period	17,573	17,573
Interest on debt component of preferred shares (<i>Note 26</i>)	44,818	44,818
Dividends payable at the end of the period (<i>Note 18</i>)	62,391	62,391

Other reserves

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital at 30 June 2023 and at 31 December 2022.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these interim condensed consolidated financial statements in accordance with the accounting policy disclosed in *Note 2*.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Parent (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

The following tables reflect profit and share data used in the basic and diluted earnings per share computations:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Net profit	24,001,401	16,401,716	52,279,472	42,361,342
Interest on preferred shares (<i>Note 26</i>)	22,409	22,409	44,818	44,818
Net profit for calculating of basic and diluted earnings per share	24,023,810	16,424,125	52,324,290	42,406,160
Weighted average number of common and preferred shares for calculation of basic earnings per share	11,004,809	11,004,809	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	2,183.03	1,492.45	4,754.67	3,853.42

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**14. EQUITY (continued)**

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of preparation of these interim condensed consolidated financial statements.

Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements

The cost of common shares, calculated in accordance with the requirements of the KASE

Below is the cost of one ordinary share, calculated in accordance with the requirements of the KASE:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Total assets	1,327,342,046	1,286,733,815
Less: intangible assets, including goodwill	(504,056,821)	347,543,744
Less: total liabilities	(535,935,759)	556,125,992
Less: preferred shares issued net of reacquired shares	(298,785)	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	287,050,681	382,765,294
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	26,812	35,752

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares. The carrying book value of one preferred non-voting share is calculated as the sum of the preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by the number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 30 June 2023, this indicator amounted to 3,727 tenge (as at 31 December 2022: 3,727 tenge).

15. BORROWINGS

As at 30 June 2023 and 31 December 2022, borrowings comprised:

<i>In thousands of tenge</i>	Weighted average effective interest rate	2023	Weighted average effective interest rate	2022
Borrowings with a fixed interest rate of 7.12% to 18.75% per annum	11.25%	129,995,875	10.99%	125,061,365
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.86%	122,824,569	11.86%	122,815,505
		252,820,444		247,876,870

Borrowings are repayable as follows:

<i>In thousands of tenge</i>	2023	2022
Current portion of borrowings	25,815,767	25,018,246
Maturity between 1 and 2 years	92,174,227	110,270,990
Maturity between 2 and 5 years	125,280,974	101,977,816
Maturity over 5 years	9,549,476	10,609,825
Total non-current portion of borrowings	227,004,677	222,858,631
Total borrowings	252,820,444	247,876,877

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)**

As at 30 June 2023 and 31 December 2022, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2023	2022
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	42,233,276	47,508,167
First Heartland Jusan Bank JSC	10 November 2024	Tenge	11.70%	40,405,844	40,209,056
Development Bank of Kazakhstan JSC (Note 30)	30 June 2032	Tenge	7.95%-8.41%	20,388,732	21,470,046
Bank of China Kazakhstan JSC	1 June 2024	Tenge	10.70%	15,092,782	2,033,153
Development Bank of Kazakhstan JSC (Note 30)	19 December 2024	Tenge	7.12%-9.30%	6,786,908	8,839,409
Halyk Bank of Kazakhstan JSC	30 June 2026	Tenge	18.75%	3,088,333	–
Halyk Bank of Kazakhstan JSC	22 June 2026	Tenge	18.75%	2,000,000	–
VTB Bank JSC	15 October 2023	Tenge	11.90%	–	5,001,538
Total				129,995,875	125,061,369

As at 30 June 2023 and 31 December 2022 the Group's borrowings have fixed interest rates.

Halyk Bank of Kazakhstan JSC (with maturity date – 21 May 2027)

During six months period ended 30 June 2023, the Group made repayment of principal amount for KZT 5,214,096 thousand and interest amount for KZT 2,689,134 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (during six months period ended 30 June 2022: KZT 5,214,096 thousand and KZT 3,290,421 thousand, respectively).

First Heartland Jusan Bank JSC (with maturity date – 10 November 2024)

On 10 November 2021, the Group's subsidiary, Kcell JSC, and First Heartland Jusan Bank JSC signed a credit line agreement in the amount of KZT 60,500,000 thousand. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of KZT 22,000,000 thousand and KZT 12,000,000 thousand with an interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of KZT 6,500,000 thousand with an interest rate of 11% per annum, with a maturity until 10 November 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all six tranches total discount in the amount of KZT 1,260,102 thousand was recognised within equity in 'Non-controlling interest' part. During six months period ended 30 June 2023, the Group made repayment of interest amount for KZT 2,223,761 thousand under the credit line agreements concluded with the First Heartland Jusan Bank JSC with the maturity in 10 November 2024 (during six months period ended 30 June 2022: KZT 2,245,250 thousand).

Development Bank of Kazakhstan JSC (with maturity date – 30 June 2032)

During six months period ended 30 June 2023, the Group made repayment of principal amount for KZT 1,066,666 thousand and interest amount for KZT 778,690 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (during six months period ended 30 June 2022: KZT 1,066,666 thousand and KZT 856,559 thousand, respectively).

Bank of China Kazakhstan JSC (with maturity date – 1 June 2024)

During 2019 and 2020, the Group obtained loan in the amount of KZT 5,000,000 thousand and KZT 6,000,000 thousand, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

On 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)**

Bank of China Kazakhstan JSC (with maturity date – 1 June 2024) (continued)

In June 2023 the Group obtained additional tranche in the amount of KZT 13,000,000 thousand from Bank of China JSC within the same credit line agreement.

During six months period ended 30 June 2023, the Group made interest repayment for KZT 104,144 thousand (during six months period ended 30 June 2022: interest repayment for KZT 675,508 thousand).

Development Bank of Kazakhstan JSC (with maturity date – 19 December 2024)

During six months period ended 30 June 2023, the Group made repayment of principal amount for KZT 2,029,593 thousand and interest amount for KZT 334,939 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (during six months period ended 30 June 2022: KZT 5,081,973 thousand and KZT 635,488 thousand, respectively).

Halyk Bank of Kazakhstan JSC (with maturity date – 22 u 30 June 2026)

22 and 30 June 2023 the Group obtained two loans of KZT 2,000,000 thousand and KZT 3,080,000 thousand, respectively, within credit line agreement with Halyk Bank JSC with a repayment period of 36 months and a fixed interest rate of 18.75% per annum.

VTB Bank JSC (with maturity date – 15 October 2023)

On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 December 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. During six months period ended 30 June 2023, the Group fully repaid of principal amount for KZT 5,000,000 thousand and interest amount for KZT 233,055 thousand (during six months period ended 30 June 2022: KZT 2,000,000 thousand and KZT 127,227 thousand, respectively).

As of 30 June 2023 and 31 December 2022, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	2023	2022
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,252,902	80,243,841
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 30)	1 November 2024	Tenge	11.84%	42,571,667	42,571,667
				122,824,569	122,815,508

Local bonds of Kazakhtelecom JSC (KZTKb3)

On 19 June 2019, the Group placed bonds on the Kazakhstan Stock Exchange JSC for amount of KZT 80,000,000 thousand at an effective interest rate of 11.86% and maturity in June 2026. The nominal value of one bond is one thousand tenge. During six months period ended 30 June 2023, the Group repaid interest for KZT 4,600,000 thousand (during six months period ended 30 June 2022: interest repayment for KZT 4,600,000 thousand).

Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)

On 6 November and 12 December 2018, the Group made a listing of coupon bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 11.84% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**15. BORROWINGS (continued)**

On 10 December 2020, the Group early redeemed local bonds with the maturity till 1 November 2024 in the amount of KZT 25,000,000 thousand from Parent company. During 2022, the Group has bought out part of the bonds ahead of schedule amount for KZT 34,000,000 thousand.

During six months period ended 30 June 2023, the Group has repaid interest for KZT 2,357,500 thousand (during six months period ended 30 June 2022: interest repayment for KZT 4,312,500 thousand).

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 30 June 2023 and 31 December 2022, the Group complied with all financial and non-financial covenants.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

<i>In thousands of tenge</i>	Buildings and constructions	Equipment	Total
Cost			
At 1 January 2022	65,534,951	42,848,491	108,383,442
Additions	3,793,206	-	3,793,206
Modifications	646,851	-	646,851
At 30 June 2022	69,975,008	42,848,491	112,823,499
At 1 January 2023	68,536,247	45,095,682	113,631,929
Additions	1,587,923	7,185,861	8,773,784
Modifications	1,032,852	2,824,797	3,857,649
Cancellation	(358,554)	-	(358,554)
At 30 June 2023	70,798,468	55,106,340	125,904,808
Accumulated depreciation			
At 1 January 2022	26,916,142	10,618,234	37,534,376
Depreciation charge	5,893,005	796,895	6,689,900
At 30 June 2022	32,809,147	11,415,129	44,224,276
At 1 January 2023	(31,225,601)	(19,111,523)	(50,337,124)
Depreciation charge	(4,296,596)	(2,962,399)	(7,258,995)
At 30 June 2023	(35,522,197)	(22,073,922)	(57,596,119)
Net book value			
At 31 December 2022	37,310,646	25,984,159	63,294,805
At 30 June 2023	35,276,271	33,032,418	68,308,689

Set out below are the carrying amounts of lease liabilities and the movements during the period:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	30 June 2022 (unaudited)
At the beginning of the period	40,825,884	49,151,576
Additions	8,773,784	3,793,206
Modifications	3,857,649	646,851
Cancellation	(358,554)	-
Interest expenses (Note 26)	3,110,554	2,957,133
Payment of interest part	(3,110,554)	(2,957,133)
Payment of principal part	(6,293,808)	(6,559,155)
At the end of the period	46,804,955	47,032,478

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

Set out below are the carrying amounts of non-current and current lease liabilities:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Non-current portion of liabilities	32,835,109	28,360,505
Current portion of lease liabilities	13,969,846	12,465,379

The following are the amounts recognised in profit or loss:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Depreciation expense of right-of-use assets	3,779,413	3,053,875	7,258,995	6,689,900
Interest expense on lease liabilities	1,856,527	1,412,644	3,110,554	2,957,133
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 24)	415,451	2,732	1,015,832	322,553
Expense relating to short-term leases (included in general and administrative expenses)	59,916	383	111,815	55,344
	6,111,307	4,469,634	11,497,196	10,024,930

During the six months period ended 30 June 2023, the Group had total cash outflows (principal and interest amount) for leases of KZT 10,532,009 thousand, including cash outflow of KZT 1,127,647 thousand related to leases of low-value assets and short-term leases (during six months period ended 30 June 2022: KZT 9,894,185 thousand and KZT 377,897 thousand, respectively). During six months period ended 30 June 2023, the Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 8,773,784 thousand (during three months period ended 30 June 2022: KZT 3,793,206 thousand).

17. NON-CURRENT CONTRACT LIABILITIES

As at 30 June 2023 and 31 December 2022, non-current contract liabilities comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Contract liabilities from operators	3,786,026	4,047,586
Contract liabilities for connection of subscribers	399,639	426,653
Other contract liabilities	3,366,979	3,079,966
	7,552,644	7,554,205

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**18. OTHER CURRENT FINANCIAL LIABILITIES**

As at 30 June 2023 and 31 December 2022, other current financial liabilities comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Payable to employees	17,791,851	24,352,049
Dividends payable (Note 14)	62,391	17,573
Other	3,060,231	3,247,259
	20,914,473	27,616,881

As at 30 June 2023 and 31 December 2022, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

19. CURRENT CONTRACT LIABILITIES

As at 30 June 2023 and 31 December 2022, current contract liabilities comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Advances received	26,734,436	24,597,725
Contract liabilities from operators	1,627,924	1,678,156
Contract liabilities for connection of subscribers	244,709	261,527
Other contract liabilities	106,827	85,025
Other	128,793	119,674
	28,842,689	26,742,107

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided to three major groups: individuals, private firms and legal firms under government sector.

20. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 30 June 2023 and 31 December 2022, other current non-financial liabilities comprised:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Provisions		
Legal claims on contractual obligation and penalties	4,847,211	3,684,675
Asset retirement obligation	3,038,441	2,947,595
Accrual of provisions for tax risks	1,967,703	1,910,312
	9,853,355	8,542,582
Other non-financial liabilities		
Taxes payable other than income tax	12,837,666	4,249,869
Payable to pension funds	853,244	1,009,829
Other	592,272	703,727
	14,283,182	5,963,425
	24,136,537	14,506,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**21. GOVERNMENT GRANTS**

As at 30 June 2023 and 30 June 2022, government grants comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Government grants at the beginning of the period	31,008,871	19,614,195	26,857,966	18,798,488
Received during the period	4,060,388	5,411,333	10,055,073	7,588,599
Released to the consolidated statement of comprehensive income	(2,231,799)	(1,421,711)	(4,075,579)	(2,783,270)
Government grants at the end of the period	32,837,460	23,603,817	32,837,460	23,603,817

Set out below are the carrying amounts of non-current and current government grants:

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Current portion	6,388,451	6,167,493
Non-current portion	26,449,009	20,690,473

In 2021 the Government approved the changes to the Rules for the assignment of frequency bands, radio frequencies, operation of radio-electronic means and high-frequency devices (“the Rules”), based on which the Group is eligible for government grants in form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. The government grants are subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas. If the financing of the projects related to broadband internet is lower than the amount of the tax incentive received, the Group should pay the annual fee equal for use of radio frequencies to the amount of unfulfilled obligations to the authorities.

The funds released as a result of reduction in the annual fee for use of radio frequencies for the six months period ended 30 June 2023 in the amount of KZT 10,055,073 thousand were used by the Group for the purchase and construction of certain items of property and equipment (mainly base stations). Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As at 30 June 2023 the balance of government grants was equal to KZT 32,837,460 thousand, and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equal to KZT 4,075,579 thousand.

As at 30 June 2023 there are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**22. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers for the three and six months ended 30 June comprised:

<i>In thousands of tenge</i>	For the three months ended 30 June 2023			
	Fixed line	Mobile connection	Other	Total
Data transfer services	36,417,606	49,979,578	–	86,398,881
Rendering of fixed line and wireless phone services	7,774,840	33,935,439	–	41,710,279
Sale of equipment and mobile devices	1,448	7,815,718	–	7,817,166
Interconnect	1,495,062	1,038,398	–	2,533,460
Rent of channels	690,212	–	–	690,212
Other	13,761,223	5,828,188	–	19,589,411
	60,140,390	98,597,322	–	158,739,409
Services transferred over time	60,138,942	90,783,301	–	150,922,243
Goods transferred at a point of time	1,448	7,815,718	–	7,817,166
	60,140,390	98,597,322	–	158,739,409
B2C*	33,697,097	79,816,527	–	113,513,624
B2B**	6,049,667	12,973,050	–	19,022,717
B2O***	5,110,550	6,840,978	–	11,951,528
B2G****	15,283,075	(1,031,535)	–	14,251,540
	60,140,390	98,597,322	–	158,739,409
<i>In thousands of tenge</i>	For the three months ended 30 June 2022			
	Fixed line	Mobile connection	Other	Total
Data transfer services	32,594,024	45,545,102	2,679	78,141,805
Rendering of fixed line and wireless phone services	7,995,613	33,083,106	–	41,078,719
Sale of equipment and mobile devices	2,000	13,391,454	–	13,393,454
Interconnect	4,007,439	3,754,069	–	7,761,508
Rent of channels	725,808	–	–	725,808
Other	12,076,938	1,854,688	276,035	14,207,661
	57,401,822	97,628,419	278,714	155,308,955
Services transferred over time	57,399,822	84,236,965	278,714	141,915,501
Goods transferred at a point of time	2,000	13,391,454	–	13,393,454
	57,401,822	97,628,419	278,714	155,308,955
B2C*	31,450,091	79,807,637	5,724	111,263,452
B2B**	8,074,738	10,620,706	272,990	18,968,434
B2O***	4,984,841	5,956,401	–	10,941,242
B2G****	12,892,152	1,243,675	–	14,135,827
	57,401,822	97,628,419	278,714	155,308,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

<i>In thousands of tenge</i>	For the six months ended 30 June 2023			
	Fixed line	Mobile connection	Other	Total
Data transfer services	75,239,389	99,258,846	4,431	174,502,666
Rendering of fixed line and wireless phone services	17,631,989	67,898,345	-	85,530,334
Sale of equipment and mobile devices	3,216	17,357,934	-	17,361,150
Interconnect	4,673,622	3,632,525	-	8,306,147
Rent of channels	1,372,929	-	-	1,372,929
Other	27,032,418	7,733,301	321,041	35,086,760
	125,953,563	195,880,951	325,472	322,159,986
Services transferred over time	125,950,347	178,523,017	325,472	304,798,836
Goods transferred at a point of time	3,216	17,357,934	-	17,361,150
	125,953,563	195,880,951	325,472	322,159,986
B2C*	68,063,608	161,546,076	264,562	229,930,725
B2B**	17,266,011	20,364,547	60,910	37,634,989
B2O***	10,322,624	13,817,857	-	24,140,481
B2G****	30,301,320	152,471	-	30,453,791
	125,953,563	195,880,951	325,472	322,159,986
<i>In thousands of tenge</i>	For the six months ended 30 June 2022			
	Fixed line	Mobile connection	Other	Total
Data transfer services	61,564,334	86,026,625	5,060	147,596,019
Rendering of fixed line and wireless phone services	15,458,113	63,960,372	-	79,418,485
Sale of equipment and mobile devices	3,566	23,879,476	-	23,883,042
Interconnect	8,304,314	7,779,274	-	16,083,588
Rent of channels	1,463,160	-	-	1,463,160
Other	25,869,621	3,570,345	531,378	29,971,344
	112,663,108	185,216,092	536,438	298,415,638
Services transferred over time	112,659,542	161,336,616	536,438	274,532,596
Goods transferred at a point of time	3,566	23,879,476	-	23,883,042
	112,663,108	185,216,092	536,438	298,415,638
B2C*	57,484,197	152,135,493	233,115	209,852,805
B2B**	18,532,248	19,773,057	303,323	38,608,628
B2O***	10,057,660	12,017,342	-	22,075,002
B2G****	26,589,003	1,290,200	-	27,879,203
	112,663,108	185,216,092	536,438	298,415,638

* B2C (Business-to-Consumer) – services rendered to private end consumers (individuals).

** B2B (Business to Business) – services rendered to the corporate sector, including large enterprises and SMEs.

*** B2O (Business-to-Operator) – services rendered to communication operators.

**** B2G (Business-to-Government) – services rendered to the state sector.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**23. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS**

In 2017, the regulatory documents on subsidy were amended. In particular, under the Resolution of the Government of the Republic of Kazakhstan No. 238 dated 2 May 2017, new tender rules for the identification of universal services operators were approved, including the calculation of the subsidy rates and the procedure for the authorised body to assign the obligation to provide universal services to telecom operators, requirements for telecoms operators to provide universal communications services, a list of universal communications services and the recognition of certain decisions which have lost their force, of the Government of the Republic of Kazakhstan.

The tender for the identification of universal services operator was conducted in September 2022 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 30 June 2023 there were no unfulfilled conditions or contingencies attached to these subsidies.

During the three and six months periods ended 30 June 2023, compensation received in the amount of KZT 1,993,471 thousand and KZT 4,206,946 thousand, respectively.

24. COST OF SALES

Cost of sales for the three and six months periods ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation and amortization	29,747,969	29,069,443	59,598,688	57,619,677
Personnel costs	28,265,816	26,811,480	56,313,217	50,439,560
Cost of SIM-card, scratch card and handsets	8,481,101	12,022,563	16,240,862	20,598,448
Interconnect	6,541,056	7,041,365	13,068,923	14,965,373
Fees for radiofrequencies use	6,697,093	4,563,295	12,757,524	9,043,664
Repair and maintenance	6,339,173	4,749,879	11,060,260	8,919,956
Electricity	3,093,390	2,787,330	6,337,436	5,909,171
Rent of channels	2,616,305	2,421,410	5,559,777	4,346,425
Fee to provide telecom services	2,059,310	2,222,650	4,247,103	4,402,155
Content	1,413,971	1,373,946	2,724,033	2,695,122
Inventories	1,439,176	1,270,872	2,568,189	2,081,856
Security and safety	764,707	682,575	1,519,071	1,246,712
Utilities	670,502	226,510	1,414,313	751,642
Business trip expenses	619,474	478,093	1,111,790	699,909
Short-term leases and leases of low -value assets (Note 16)	415,451	2,732	1,015,832	322,553
Network sharing agreement	265,840	236,551	866,221	717,312
Satellite communication services	199,225	198,985	398,371	397,682
Insurance	141,487	374,774	391,631	559,748
Other	4,341,347	3,467,403	7,753,985	5,965,672
	104,112,393	100,001,856	204,947,226	191,682,637

25. SELLING EXPENSES

Selling expenses for the three and six months periods ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Marketing and advertising	4,009,479	648,079	6,479,792	1,768,556
Amortization of cost to obtain a contract	1,073,644	937,639	1,973,411	1,766,681
Other	500,018	213,115	888,297	556,400
	5,583,141	1,798,833	9,341,500	4,091,637

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**26. FINANCE COSTS**

Finance costs for the three and six months periods ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Interest expense on loans	6,719,368	8,417,249	13,484,957	16,964,523
Interest expense on lease liabilities (Note 16)	1,856,527	1,412,644	3,110,554	2,957,133
Discounting of long-term loans to employees	717,203	(1,826)	2,110,393	11,518
Unwinding of discount (provision for asset retirement obligations)	332,118	195,127	480,657	362,781
Discounting of other non-current financial assets	43,955	215,435	220,791	430,246
Interest on debt component of preferred shares (Note 14)	22,409	22,409	44,818	44,818
Other costs	10,628	501,444	48,478	528,973
	9,702,208	10,762,482	19,500,648	21,299,992

27. OTHER OPERATING INCOME

Other operating income for the three and six months periods ended 30 June comprised:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Income from disposal of an associate (Note 7)	-	-	876,945	-
Rental income	548,675	413,350	862,448	504,131
Fines and penalties	70,545	8,035	239,982	49,647
Income from liabilities write-off	18,617	39,513	80,282	52,641
Non-core operations	-	33,069	-	-
Other	248,333	139,250	490,435	663,622
	886,170	633,217	2,550,092	1,270,041

28. INCOME TAX EXPENSES

Income tax expense for the three and six months periods ended 30 June comprised the following:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Current income tax expenses	7,198,340	11,775,848	19,218,996	21,088,383
Deferred income tax (benefit)/expenses	42,331	1,529,261	(1,779,720)	720,662
	7,240,671	13,305,109	17,439,276	21,809,045

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**29. NON-CASH TRANSACTIONS**

The following significant non-cash transactions have been excluded from the interim condensed consolidated statement of cash flows:

During the six months period ended 30 June 2023, the Group received government grants in the total amount of KZT 10,055,073 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

During the six months period ended 30 June 2023, the Group paid an amount of KZT 50,367,728 thousand (unaudited) for property and equipment purchased in prior year (during the six months period ended 30 June 2022: KZT 55,772,821 thousand (unaudited)). Property and equipment in the amount of KZT 36,123,189 (unaudited) thousand was purchased during the six months period ended 30 June 2023 but not paid as at 30 June 2023 (during the six months period ended 30 June 2022: KZT 14,689,888 thousand (unaudited)).

During the three and six months periods ended 30 June 2023, the Group received repayment of loans provided to employees in the amount of KZT 439,921 thousand and KZT 806,002 thousand, respectively (during the three and six months periods ended 30 June 2022: KZT 381,441 thousand and KZT 1,643,023 thousand, respectively). The repayments were withheld from the salary of employees.

30. RELATED PARTY TRANSACTIONS

The category 'entities under control of the Parent' include entities controlled by the Parent Company. Transactions with such entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of government-related entities includes different government agencies and ministries.

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short-term, and settlements are made in cash, except as described below.

As at 30 June 2023, the Group recognized a provision for expected credit loss in the amount of KZT 513,106 thousand in respect of receivables from related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**30. RELATED PARTY TRANSACTIONS (continued)**

Sales and purchases with related parties during the periods of three and six months ended 30 June 2023 and 30 June 2022 and the balances with related parties at 30 June 2023 and 31 December 2022 were as follows:

<i>In thousands of tenge</i>	For three months ended 30 June		For six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Sales of goods and services				
Parent	3,273	3,254	6,531	7,178
Parent-controlled entities	1,183,267	499,150	2,042,317	949,408
Associate (Qaz Cloud LLP) (Note 7)	–	264,793	–	539,343
Government-related entities	13,184,241	12,947,578	27,590,245	26,880,071
Purchases of goods and services				
Parent	163	–	163	–
Parent-controlled entities	1,250,715	649,187	2,152,991	1,258,585
Associate (Qaz Cloud LLP) (Note 7)	–	253,554	–	591,399
Government-related entities	87,544	76,311	134,860	140,369
Interest accrued on borrowings				
Entities under state control				
(Development Bank of Kazakhstan JSC)	526,974	582,567	1,076,073	1,307,778
Average interest rate on borrowings	8.03%	8.06%	8.03%	8.00%
Parent*	1,178,750	2,216,970	2,357,500	4,373,220
Average interest rate on borrowings	11.84%	11.84%	11.84%	11.84%

* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

<i>In thousands of tenge</i>	30 June 2023 (unaudited)	31 December 2022
Cash and cash equivalents		
Entities under state control		
(Development Bank of Kazakhstan JSC)	31	31
Borrowings and bonds (Note 15)		
Entities under state control		
(Development Bank of Kazakhstan JSC)	27,175,640	30,309,455
Parent*	42,571,667	42,571,667
Trade receivables		
Parent	2,263	1,229
Parent-controlled entities	740,092	566,382
Associate (Qaz Cloud LLP) (Note 7)	–	222,479
Government-related entities	12,443,822	7,833,829
Trade payables		
Parent	59	59
Parent-controlled entities	502,703	234,945
Associate (Qaz Cloud LLP) (Note 7)	–	863,154
Government-related entities	1,029,409	1,643,367

* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES****Impairment losses on financial assets**

Impairment losses on financial assets for the six months period ended 30 June 2023, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 4,503,957 thousand (*Note 10*), other current financial assets in amount of KZT 53,151 thousand (*Note 11*), cash and cash equivalents in amount of KZT (6,007) thousand (*Note 13*) (Impairment losses on financial assets for the six months ended 30 June 2022, comprise accrued/(recovered) allowance for expected credit loss for trade receivables in amount of KZT 2,669,025 thousand (*Note 10*), other current financial assets in amount of KZT 41,732 thousand (*Note 11*), cash and cash equivalents in amount of KZT 1,667 thousand (*Note 13*)).

Impairment losses on financial assets for the three months ended 30 June 2023, comprise accrued/(recovered) allowance for expected credit loss for trade receivables in amount of KZT 3,353,525 thousand (*Note 10*), other current financial assets in amount of KZT 70,378 thousand (*Note 11*), cash and cash equivalents in amount of KZT (3,751) thousand (*Note 13*) (for the three months ended 30 June 2022: trade receivables in amount of KZT 1,538,459 thousand (*Note 10*), other current financial assets in amount of KZT 31,106 thousand (*Note 11*), cash and cash equivalents in amount of KZT 4,600 thousand (*Note 13*)).

(Gain from reversal of impairment) / impairment losses on non-financial assets

(Gain from reversal of impairment) / impairment losses on non-financial assets for the six months period ended 30 June 2023 comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT (153,855) thousand (*Note 5*), advances paid for current assets for KZT (14,754) thousand, reversal of impairment of property and equipment for KZT (20,180) thousand (*Note 5*) and reversal of impairment of intangible assets for KZT (2,790) thousand (for the six months period ended 30 June 2022: advances paid for non-current assets for KZT 220,093 thousand impairment of property and equipment for KZT 70,183 thousand (*Note 5*) and impairment of intangible assets for KZT (1,953) thousand).

Impairment losses on non-financial assets for the three months period ended 30 June 2023, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT 8,452 thousand (*Note 5*), advances paid for current assets for KZT (7,666) thousand, property and equipment for KZT (164,002) thousand (*Note 5*) and intangible assets for KZT (2,060) thousand (*Note 6*) (for the three months ended 30 June 2022, comprise accrued allowance for impairment of advances paid for current assets for KZT 376,079 thousand, impairment of property and equipment for KZT 75,688 thousand (*Note 5*)).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable. The main risks associated with the Group's financial instruments include interest rate risk, currency and credit risk. In addition, the Group monitors market risk and liquidity risk associated with all financial instruments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value**

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above.

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 30 June 2023 was as follows:

<i>In thousands of tenge</i>	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Investment property	30 June 2023	-	-	2,700,000	2,700,000
Other non-current financial assets	30 June 2023	-	-	4,385,636	4,385,636
Other current financial assets	30 June 2023	-	-	5,927,397	5,927,397
Trade receivables	30 June 2023	-	-	55,712,758	55,712,758
Liabilities for which fair values are disclosed					
Borrowings	30 June 2023	-	-	249,492,578	249,492,578
Other non-current financial liabilities	30 June 2023	-	-	268	268
Other current financial liabilities	30 June 2023	-	-	20,914,473	20,914,473
Trade payables	30 June 2023	-	-	63,899,589	63,899,589

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2022 was as follows:

<i>In thousands of tenge</i>	Date of valuation	Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
Assets for which fair values are disclosed					
Financial assets carried at amortised cost	31 December 2022	14,896,830	-	-	14,896,830
Investment property	31 December 2022	-	-	2,700,000	2,700,000
Other non-current financial assets	31 December 2022	-	-	6,629,229	6,629,229
Other current financial assets	31 December 2022	-	-	4,374,070	4,374,070
Trade receivables	31 December 2022	-	-	45,305,186	45,305,186
Liabilities for which fair values are disclosed					
Borrowings	31 December 2022	-	-	243,775,351	243,775,351
Other non-current financial liabilities	31 December 2022	-	-	414	414
Other current financial liabilities	31 December 2022	-	-	27,616,881	27,616,881
Trade payables	31 December 2022	-	-	104,832,254	104,832,254

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)****Fair value (continued)**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the interim condensed consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

<i>In thousands of tenge</i>	Carrying amount as at 30 June 2023 (unaudited)	Fair value as at 30 June 2023 (unaudited)	Unrecognised gain as at 30 June (unaudited)	Carrying amount as at 31 December 2022	Fair value as at 31 December 2022	Unrecognised gain/(loss) as at 31 December 2022
Financial assets						
Cash and cash equivalents	101,853,883	101,853,883	-	242,122,154	242,122,154	-
Other non-current financial assets	4,385,636	4,385,636	-	6,973,300	6,629,229	(344,071)
Other current financial assets	5,927,397	5,927,397	-	4,374,070	4,374,070	-
Trade receivables	55,712,758	55,712,758	-	45,305,186	45,305,186	-
Financial assets carried at amortised cost	-	-	-	14,832,821	14,896,830	64,009
Financial liabilities						
Borrowings	252,820,444	249,492,578	3,327,866	247,876,877	243,775,351	4,101,526
Other non-current financial liabilities	268	268	-	414	414	-
Other current financial liabilities	20,914,473	20,914,473	-	27,616,881	27,616,881	-
Trade payables	63,899,589	63,899,589	-	104,832,254	104,832,254	-
Total unrecognised change in unrealised fair value			3,327,866			3,821,464

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**32. COMMITMENTS AND CONTINGENCIES****Operating environment**

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

Capital commitments

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 30 June 2023, the Group had contractual obligations in the total amount of KZT 32,143,022 thousand, including VAT (31 December 2022: KZT 49,774,593 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

License commitments

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of its network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2023. Management believes that as at 30 June 2023 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these interim condensed consolidated financial statements.

New Technical Regulations

Order No. 91 of the Committee of the National Security dated 20 December 2016 on approval of the *Technical Regulations General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information* was published on 7 February 2017 and came into force on 8 February 2018. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information (hereinafter – "ORA").

As at 30 June 2023, the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,612,000 thousand. The Group plans to complete expansion in full in 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to KZT 7,755,000 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**32. COMMITMENTS AND CONTINGENCIES (continued)****5G services**

In accordance with the Order of Committee of competition protection of the Ministry of national economics, the Group has an obligation to start providing 5G services not later than 31 December 2023.

Events in Ukraine and Coronavirus pandemic

The war on the territory of Ukraine, which began in 2022, led to the emergence of a number of accounting features under IFRS affecting financial statements. Many countries have already imposed and continue to impose new sanctions on individual Russian legal entities and Russian citizens.

The current situation itself, as well as potential fluctuations in commodity prices, exchange rates, import and export restrictions, availability of local materials and services and access to local resources directly affected Companies carrying out significant volumes of activities in the CIS territories.

However, the above situation did not affect the Company's activities. Management is unable to foresee either the extent or duration of changes in the Kazakh economy or to assess their possible impact on the Company's financial position in the future. Management is confident that it is taking all necessary measures to maintain the sustainability and growth of the Company's activities in the current circumstances.

Government grant related to frequency fee

The Group has submitted consolidated report on expenditures used to finance broadband projects access to the Internet in urban and rural areas included capital and operational costs that are necessary for the provision of broadband Internet access services in urban and rural settlements throughout the territory of the Republic of Kazakhstan. Management believes that there are no unfulfilled conditions or contingencies attached to these grants.

In case if, based on the results of the audited information, the fact of non-fulfillment by the telecom operator of obligations to allocate at least released funds from the reduction of the corresponding fee rate to finance broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after of the year following the reporting year, recalculates the amount of the annual fee for the use of frequency fee for the reporting year, which should be proportional to the unfulfilled volume of financial obligations for this reporting year.

Arbitration against Amdocs companies

Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement").

In November 2018, the Group notified the Supplier of termination of the Supply Agreement, except for the technical support services due to the quality of the Converged Billing System and Amdoc's performance of contractual obligations were not consistent with the terms of the Supply Agreement and the Group's requirements. Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**32. COMMITMENTS AND CONTINGENCIES (continued)****Arbitration against Amdocs companies (continued)**

In May 2020, the Group notified the Supplier of its withdrawal from the technical support agreement as well. Amdocs did not agree with the Group's reasoning for termination of the Supply Agreement and withdrawal from the technical support agreement.

The contractual relationships between the Group and Amdocs are governed by and construed in accordance with Swedish law, and any dispute, controversy or claim arising out of that relationship should ultimately be settled in arbitration in Stockholm in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce ("International Arbitration").

On 18 December 2020, the Group applied to International Arbitration with a request to initiate arbitration proceedings against Amdocs. The total amount of the Group's asserted claims equaled to approximately EUR 25,792 thousand (equivalent to KZT 12,823,267 thousand).

The Group's request for arbitration was registered with the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter - "SCC") in December 2020. On 29 December 2020, SCC sent a notice to the Amdocs companies of commencement of arbitration and set a deadline for responding to the request for arbitration.

On 26 January 2021 the response from Amdocs JSC was received and Amdocs agreed to consider the dispute in SCC. In addition, Amdocs had submitted the counterclaim, at this point in the preliminary amount of USD 13,886 thousand (equivalent to KZT 6,046,350 thousand) and unpaid fees for extra work L2 and other out of scope service the amount of which was not calculated and payment related to allegedly the Group's delays in OLC and Phase 1 – the amount was not calculated.

On 16 and 23 April 2021 organizational sessions of arbitration tribunal were held, as a result of which the parties managed to agree on the procedural rules and schedule. It is planned that consideration of the case on the merits will take place during 5-16 September 2022, and the tribunal's decision will be granted in December 2022.

In accordance with the procedural timetable, the next stage of the proceedings, the Group claimed below extended relief (90% increase of the initial amount):

- (a) To declare that Kcell's partial termination of the Delivery Contract by notice dated 22 November 2018 was valid and effective;
- (b) To order the Respondents to pay – jointly and severally – USD 59,773 thousand (equivalent to KZT 26,001,255 thousand) and to order payment of the pre-award and post-award interest on the above amounts and reimburse the Claimant its legal and other costs in relation to these proceedings.

On 5 November 2021, Amdocs filed extended counterclaims in the amount of USD 17,697 thousand (equivalent to KZT 7,699,056 thousand), plus interest applicable under Swedish law (8% per annum; from the date of incurrence of the obligation the dates may differ, depending on stated claims), including reimbursement of costs incurred by Amdocs in connection with the arbitration proceedings (fees to arbitrators, legal consultants and other costs incurred):

- (1) To invalidate the partial termination of the Delivery Contract (Contract) initiated by Kcell to recognize such termination as a breach of the Contract terms; to recognize that Kcell is liable for damage associated with such a breach;
- (2) Reimbursement of the arbitration fees paid by Amdocs from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act and reimbursement of fees paid by Amdocs to their legal consultants and other costs associated with the arbitration from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act.

On 1 March 2022 Kcell filed the response to Amdocs extended counterclaims and declined all claims submitted by the defendant. Kcell has also filed the additional claim, according to which shall the Tribunal decide that the Company is not entitled for contract price reduction, then Kcell claims the right for compensation of funds in the amount of 16 million USD (equivalent to 7,920 million tenge), overpaid for the supplied solution (BSS). The correspondent expert report with the estimate of supplied solution was prepared by the independent financial expert and submitted by Kcell to the Tribunal.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**32. COMMITMENTS AND CONTINGENCIES (continued)****Arbitration against Amdocs companies (continued)**

Amdocs response to Kcell claims was received on 24 May 2022. Amdocs made no new claims, confirmed the previously filed claims and agreed with Kcell that the Supply Agreement can be considered as a contract in US dollars and that any claims under it can only be expressed in US dollars.

On 21 June 2022, Kcell sent the final document with additional arguments and evidence (including testimony and responses to the arguments listed in Amdocs document dated 24 May 2022).

Kcell received a document from Amdocs on 15 July 2022 containing the final counterclaim amounts. In addition to the previously announced figures, Amdocs is claiming the payment of a 400 000 USD invoice dated 4 May 2018 under Additional Agreement #3 for the "Final delivery to UAT 20%" stage. So, before the hearing in September, Amdocs's claims amount to 18 million USD (equivalent to 8,657 million tenge) plus % (calculated at the rate of 8% according to the Swedish Interest Act. Depending on the date of obligation, it will be calculated and confirmed based on the hearing outcomes and stated in the arbitration award).

In-person hearings to consider mutual claims between Kcell JSC and Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC connected to the Supply Agreement were held from 5 to 16 September 2022 in Stockholm (Sweden). During the hearing, Kcell has made the following proposals, which were supported by Amdocs and the tribunal:

- If the tribunal satisfies, fully or partially, the claims of both parties, the offset principle will be applied;
- If the tribunal satisfies the claims filed in tenge, apply the exchange rate as of the date of the arbitration award and state those amounts in US dollars in the tribunal's decision.

At the request of the parties and with the Tribunal's approval, the date of filing of final claims by the parties was postponed to 31 October 2022, and the date of filing documents for the recovery of costs related to the arbitration proceedings was postponed to 11 November 2022.

In December 2022, the Tribunal requested additional time to prepare a decision, citing the technical complexity of the case.

On 14 March 2023 Tribunal announced decision on arbitration against Amdocs and concluded on the following:

- The total amount of satisfied claims of Amdocs was 8,306,827 USD dollars (equivalent KZT 3,721,874 thousand as of the date of the court decision);
- Claims of Kcell against Amdocs was dissatisfied.

Kcell and Amdocs are currently negotiating the voluntary execution of the Arbitration Award in order to reduce the payments as well as risks associated with enforcement of the award. For six months ended 30 June 2023, the Group has accrued provision for arbitration against Amdocs in the amount of KZT 4,847,211 thousand (31 December 2022: KZT 3,684,675 thousand).

33. SUBSEQUENT EVENTS

In July 2023 the Group obtained four loans from Halyk Bank of Kazakhstan for operational needs in the total amount of KZT 9,517,000 thousand. The interest rate of four loans are 18,75% per annum. The maturity date of loans are July 2026.

In July 2023, the Group entered into an agreement for the provision of brokerage services with JSC Halyk Finance. The subject of this agreement is the performance of operations and transactions on behalf of Kazakhtelecom in the securities market, including in the AIFC. On 12 July 2023, the Group purchased discount bonds (ISIN US912796YH64) in the amount of USD 49,999,040.51.

On 27 July 2023, the Group purchased discount bonds (ISIN US912796YT03) in the amount of USD 99,999,255.94 maturing on 7 September 2023, 5 October 2023 and 2 November 2023.

On 21 July 2023, the Group entered into a reverse repurchase agreement with JSC Halyk Finance. The subject of this agreement are coupon bonds (ISIN KZ2D00008083, KZKD00001129, KZ2C00008944) issued by the Eurasian Development Bank, the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC. The fair value of the transferred securities pledged under a reverse repurchase agreement amounted to KZT 6,000,000 thousand. The contract expires on 24 July 2023. Remuneration amounted to KZT 8,038 thousand. The currency of the agreement is tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENTS (continued)**33. SUBSEQUENT EVENTS (continued)**

On 28 July 2023, the Group entered into a reverse repurchase agreement with JSC Halyk Finance. The subject of this agreement are coupon bonds (ISIN KZ2C00007326, XS1263054519, KZKD00000840) issued by the Ministry of Finance of the Republic of Kazakhstan. The fair value of the transferred securities pledged under a reverse repurchase agreement amounted to KZT 10,000,000 thousand. The contract expires on 04 August 2023. The remuneration is KZT 32,408 thousand. The currency of the agreement is tenge.